Countering fraud and corruption in minerals and mining

International Counter Fraud Specialist course
Fraud is a problem which undermines the stability and financial health of organisations from across the world and from every economic sector. It is not a victimless crime, but one which reduces the value of companies for shareholders, undermines job security for employees, imposes additional costs on consumers, denies us the quality of public services which we pay for as taxpayers, and even denies the beneficiaries of charities the full benefit of the donations we make.

It is therefore a problem which is important - and one which needs to be addressed.

Over the last 15 years there has been a change in how fraud is addressed. This change has seen organisations move from focussing on individual fraudsters and merely reacting to what they do, with investigations which lead to potential sanctions and the recovery of losses, to treating fraud as a business cost like any other and seeking to pre-empt and reduce it. Unfortunately this is not a trend reflected within the minerals and mining sectors.

Experience in the international mining sector
PKF Littlejohn’s counter fraud team has undertaken a number of assignments within the international mining sector and has identified a need for training of those charged with countering fraud and corruption within the industry. Our work has been undertaken at mines in both Africa and the Pacific Rim, confronting the problem of financial crime at grass-roots level. As such, we have developed a unique understanding of the problems faced by security and audit professionals and have recognised a lack of specialist knowledge and expertise where counter fraud work is involved, both in reactive, investigative work and in proactive, pre-emptive work.

Our fraud resilience work for some of the world’s largest copper and gold miners has shown that there has been a lot of focus on compliance with the requirements of anti-bribery legislation, such as the USA’s Foreign Corrupt Practices Act and the UK’s Bribery Act, but that more can be done to counter fraud and its cost, especially involving staff or contractors. Our investigation work at a West African iron-ore mine has shown that fraud can manifest itself at the highest levels, leading to a culture where low-value (but high-volume) fraud is seen as acceptable.

We have therefore worked with the University of Portsmouth’s Centre for Counter Fraud Studies, “Europe’s leading centre for research into fraud and related issues” (Mines and Money 2012) to develop an academically-accredited training course for mining security and audit professionals, which will also lead to the Accredited Counter Fraud and Counter Corruption (International) Practitioner award (ACFCC(I)) from the UK’s government-backed Counter Fraud Professional Accreditation Board.

Case Study 1 - South East Asia

Operating an open pit mine to extract gold and copper with reserves in excess of 1 billion tonnes and an annual spend on goods and services of over $700 million, our client recognised that losses to fraud at a rate of the global average would represent a significant sum.

Our counter fraud team was therefore contracted to undertake a comprehensive fraud resilience review, together with the implementation of an interactive fraud awareness training programme for staff and contractors.

The review identified seven areas where more work needed to be done to make the mine more resilient to fraud and detailed recommendations for action were provided, which the company has now implemented.
Counter Fraud and Counter Corruption (International) Practitioner Course

The international minerals and mining sector faces many challenges – operating in remote territories and in jurisdictions and cultures that are very different from those in the country where the parent company’s headquarters are based, facing pressures on commodity prices in a volatile global economy that results in tight margins, and ever increasing production costs. Companies go some way to protect themselves against breaches of global corruption legislation (such as the US Foreign Corrupt Practices Act and the UK’s Bribery Act) but very few take action to reduce the real cost of fraud. Fraud and corruption present a real risk to the industry and mining security and audit professionals, when faced with a financial crime investigation, need to take positive, ethical and effective action.

Working with the University of Portsmouth’s Centre for Counter Fraud Studies, PKF Littlejohn has developed a course to equip delegates with a range of skills and knowledge to enable them to not only investigate allegations of fraud and corruption, but also to undertake action to better protect their organisation from these crimes.

Delivery

The course will be delivered by a mix of distance-learning and attendance at a one-week event at a conveniently located venue.

The distance-learning elements will be available to delegates online, enabling them to be accessed at any time of day in order to suit the delegate’s own needs. The material will be a mix of PDF, audio, video and web resources, backed-up by tutor support via e-mail.

The distance learning will then be consolidated by attending a one-week event in the delegate’s own region. Tuition will be delivered by a mix of Accredited Counter Fraud Trainers and subject experts and will include practical exercises to enable delegates to apply their new-found knowledge and skills in a learning environment.

As well as developing knowledge and practical skills, the event will allow delegates to network with colleagues from across their region in a collaborative environment.

Assessment

Delegates will be required to complete a number of assignments during the distance-learning stage of the course; following completion of the residential stage, delegates will then be required to complete one final written assignment. Successful completion of the course will lead to the award of the Accredited Counter Fraud and Counter Corruption (International) Practitioner qualification from the UK’s Counter Fraud Professional Accreditation Board. Delegates will also receive a certificate from the University of Portsmouth confirming the award of Higher Education credits which can be used to gain entry to further courses.
Syllabus

• Fraud and Corruption in Context
  By the end of this topic delegates will understand that fraud and corruption within the mining sector is a diverse problem and will be able to describe different counter fraud and counter corruption strategies. They will be able to explain the importance of measuring levels of fraud and corruption so that appropriate levels of resources can be applied, just like any other business cost. Delegates will learn how to make an appropriate business case for investment to counter fraud and will identify ways in which success can be measured.

• Creating an Anti-Fraud Culture
  A key tool in pre-empting fraud is to mobilise the honest majority so that the dishonest minority can be more easily detected. This topic explores some of the strategies and mechanisms that can be deployed to change organisational and workforce culture, so that staff feel confident in reporting their suspicions, and fraudsters feel that they are likely to be detected.

• Prevention by Design
  The aim of this topic is to enable delegates to engage with policy and process developers to allow ‘fraud proofing’ to take place, so reducing the opportunities for fraudsters to exploit system weaknesses. They will learn about the principles of economic and behavioural psychology and will identify how these can be applied in their workplace to reduce fraud and corruption.

• Intelligence Sources
  Delegates will explore the range of intelligence sources available to them and the type of product that may be obtained. They will learn how to apply the principles of evaluation and sanitisation to information and examine how the resulting intelligence can be developed into evidence.

• Protection of Data
  The principles of good data handling will be covered, with particular emphasis on lawful data gathering, storage and use. Delegates will discuss the impact of unethical data gathering on the investigative process and will examine what procedures should be followed where data is gathered for the purpose of crime prevention and detection.

• Fraud Risk Management
  To create a successful and cost-effective counter fraud strategy it is necessary to understand what an organisation’s fraud risks are. This session is designed to enable delegates to assess fraud risks and to identify appropriate solutions to mitigate those risks. By the end of the session delegates will be able to describe the principles of fraud risk management and explain how it is different from standard risk assessment methodologies; they will be able to define the variables of honesty and motivation and to outline the fraud risk assessment process.

• Cyber Crime
  In today’s digital age fraudsters are increasingly taking advantage of technology to perpetrate financial crime. This session explores some of the issues involved and highlights methods employed by fraudsters to breach digital security. It details best practice methods in the securing and handling of digital evidence. The session also demonstrates how the internet is an essential tool for the investigator, examining a range of online resources that can aid the investigation.

Case Study 2 - Central Africa

Our client, located in the Copperbelt, spends $500 - $600 million per year on running a major copper mine, with around 1,300 employees and an additional 3,000 contractors.

We undertook a range of work to increase the mine’s resilience to fraud, by benchmarking it against a comprehensive range of counter fraud standards, delivering fraud awareness training to over 700 staff and contractors, producing material to help create an anti-fraud culture, undertaking penetration testing of its IT systems and providing best-practice investigative skills advice to the security team.

We undertook communications mapping to reveal hidden social networks within the organisation, which enabled new fraud risks to be identified. We also identified over 300 individuals who were on the payroll system but were not in fact employed. The interactive nature of the fraud awareness training resulted in intelligence relating to new fraud risks right across the operation, from mining operations, through contracted assay work, to the human resources department.
• **Investigation Management**
  This subject will introduce delegates to the different types of financial crime and the investigative strategies that must be deployed to maximise favourable outcomes. Objective setting and sources of evidence will be explored, identifying a range of investigative techniques that can be utilised. Delegates will be able to establish the terms of reference for an investigation and discuss the requirements for policy decisions to be taken and documented for various investigative strategies that may be employed.

• **Exhibit Handling**
  Best practice procedures in the handling of exhibits will be covered to ensure that the principles of integrity, continuity, security, accuracy and non-contamination apply. Delegates will gain practical experience in the recording and handling of a range of exhibits during an investigation.

• **Points to Prove**
  When considering either criminal proceedings or internal disciplinary action, the investigator needs to identify what must be proved to demonstrate to the court or tribunal that a breach has occurred and that the defendant is responsible. Delegates will examine a range of offences from around the world in order to gain experience in identifying both the mental and physical elements that form the ‘points to prove’.

• **Operational Planning and Search**
  This session will take delegates through the various stages of operational planning, culminating in the completion of an operational order and the briefing to counter fraud specialists prior to a search. Delegates will then experience some of the practical aspects of searching premises, completing relevant documentation and handling exhibits.

• **Statement Writing**
  The primary mechanism for presenting witness evidence prior to trial is in the form of a written statement. This session details best practice structure and process, enabling delegates to compile statements from a range of witness types in both civil and criminal arenas.

• **Witness Interviewing**
  Investigative interviews are a key facet of the investigative process, often with only one opportunity to elicit evidence from a witness. This session introduces delegates to the PEACE model of investigative interviewing as it applies to potential witnesses (cognitive interview). Delegates will understand how memory works and will be able to identify factors that will impact on retrieval of memory. They will explore how people communicate and how to demonstrate effective questioning and active listening. The session will conclude with practical application of the techniques discussed.

• **Suspect Interviewing**
  Having learnt the PEACE model, delegates will now move on to apply it in a ‘suspect’ scenario (conversation management).

They will understand the importance of establishing and maintaining rapport and will gain confidence in application of the ‘challenge’ stage of the interview. The use of time-lines, topic exploration, summary and linking will all be covered. Legal aspects and ethical issues when interviewing a suspect will be explored with delegates and the topic concludes with delegates undertaking a mock interview in a safe learning environment.

• **Giving Evidence**
  At the end of any fraud investigation, there is always the possibility of the counter fraud specialist being required to give evidence. This part of the course will explore the process of giving evidence and will examine some of the techniques and tactics used by lawyers when undertaking a cross-examination. It will equip delegates with information and tips to enable them to present their evidence in a professional manner and will provide an opportunity for these to be applied in a practical way.

**Case Study 3 - West Africa**

Located on the Guinea coast, the client is developing iron-ore assets at four exploration sites. Concerns raised by the UK-based Chief Financial Officer about the award of contracts by the country manager led us to identify that the individual had set-up a number of local companies, fronted by third parties, which were then awarded a series of lucrative contracts.

Our investigation team gathered evidence which ultimately resulted in the termination of his employment. During the course of this investigation we identified that there was a culture at the mine that viewed acts of dishonesty as acceptable behaviour, which resulted in the company engaging with us to undertake work to pre-empt fraud, so resulting in the development of an anti-fraud culture within the organisation.
Course trainers

Jim Gee

Supervision of the course will be undertaken by Jim Gee, Partner and Head of Forensic and Counter Fraud Services at PKF Littlejohn and Visiting Professor and Chair of the Centre for Counter Fraud Studies at University of Portsmouth.

During more than 25 years as a counter fraud specialist, he led the team which cleaned up one of the most corrupt local authorities in the UK – London Borough of Lambeth – in the late 1990s; he advised the House of Commons Social Security Select Committee on fraud and the Rt. Hon. Frank Field MP during his time as Minister of State for Welfare Reform; between 1998 and 2006 he was Director of Counter Fraud Services for the Department of Health and CEO of the NHS Counter Fraud Service (see below), achieving reductions in losses of up to 60% and financial benefits equivalent to a 12:1 return on the costs of the work. Between 2004 and 2006 he was the founding Director-General of the European Healthcare Fraud and Corruption Network and then worked as a senior advisor to the UK Attorney-General on the UK Government’s Fraud Review.

He has also worked with a range of private sector companies and charities as well as delivering counter fraud and regulatory services to organisations both in this country and internationally. His work has taken him to more than 35 countries to counter fraud including advising the Chinese Government about how to measure, pre-empt and reduce the financial cost of fraud within the developing state healthcare system.

Jim has led a number of counter fraud assignments in the global mining sector.

Andrew Whittaker

Andrew is responsible for the development of counter fraud training at PKF Littlejohn, working with clients from around the world to develop courses to increase organisational resilience to fraud. These include bespoke fraud awareness training for staff and contractors, courses designed to enable delegates to pre-empt fraud, as well investigative skills training.

He has completed assignments in Hong Kong, Indonesia and Africa, as well as across Europe. As Director of Training and Skills for the NHS Counter Fraud Service, Andrew oversaw the design and delivery of foundation-level training for over 1,000 NHS counter fraud and security professionals.

A former police officer, Andrew’s experience covers both the public and private sectors; he is an Accredited Counter Fraud Trainer, Chair of the Training and Education Committee of the Counter Fraud Professional Accreditation Board and has recently completed a master’s degree with a dissertation entitled ‘Fraud and Financial Crime in Mining’.

He has undertaken a number of counter fraud assignments within the mining sector, both in Africa and the Far East.

As well as developing knowledge and practical skills, the event will allow delegates to network with colleagues from across their region in a collaborative environment.
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Martin Moore

A career detective with over 30 year’s investigative experience with a UK police force, Martin completed his service as Detective Inspector in charge of an Economic Crime Department. Martin has specialised in dealing with fraud and money laundering investigations, as well as fraud advisory and consultancy projects, in the natural resources, local and national government and international charity sectors.

As well as gathering evidence within Europe, his investigations have taken him to Australia, New Zealand, Indonesia and the United States; he has valuable experience in obtaining evidence for both criminal and civil courts.

In Sierra Leone he conducted an investigation into a senior civil servant accused of corruption, leading to a file being prepared for the Anti-Corruption Commission and a number of defendants being charged with 57 counts of corruption.

Martin is an Accredited Counter Fraud Trainer as well as being an Accredited Counter Fraud Specialist.

About PKF Littlejohn

PKF Littlejohn is one of the leading firms of accountants and business advisers in the UK and the London member of PKF International (PKFI), offering a full range of forensic and counter fraud services on a national and international basis.

In the UK and Ireland, PKFI is represented by six PKF member firms - PKF Littlejohn, PKF Cooper Parry, KLSA, Johnston Carmichael, PKF-FPM and PKF O’Connor, Leddy & Holmes. They have a combined annual fee income of £78m, with services delivered by 1,000 partners and staff.

PKF International (PKFI) is the 11th largest network of independent accounting practices in the world. The PKFI network has close to 300 member firms and correspondents in 440 locations in 125 countries providing accounting and business advisory services. PKFI member firms have around 2,270 partners and nearly 22,000 staff.

About The Centre for Counter Fraud Studies, University of Portsmouth

The Centre for Counter Fraud Studies (CCFS) was formed in 2009 and is one of the specialist research centres of the University of Portsmouth’s Institute of Criminal Justice Studies. It has been founded to accommodate the growing interest in counter fraud that has occurred within the Institute over the last ten years, providing a clear focus for research, knowledge transfer and educational provision to the counter fraud community.

Staff from the Centre, led by Professor Mark Button, will provide input on the course in their areas of specialism, both in the distance learning material and during the residential stage of the course. A key feature of CCFS is its Fraud Hub, a depository of the latest research and a central resource of all the major publications on fraud and corruption.
Get in touch

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