



Fraud Prevention and Commitment to Ethical Standards

September 2025

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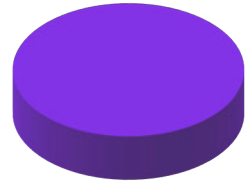
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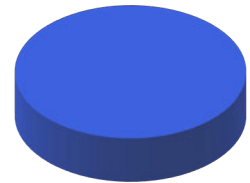
Fraud Refresher

Refresher: Fraud & Ethics



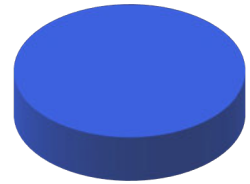
Ethics

“Moral principles that govern a person's behavior or the conducting of an activity.”
- Oxford Dictionary



Fraud

“Wrongful or criminal deception intended to result in financial or personal gain”
- Oxford Dictionary



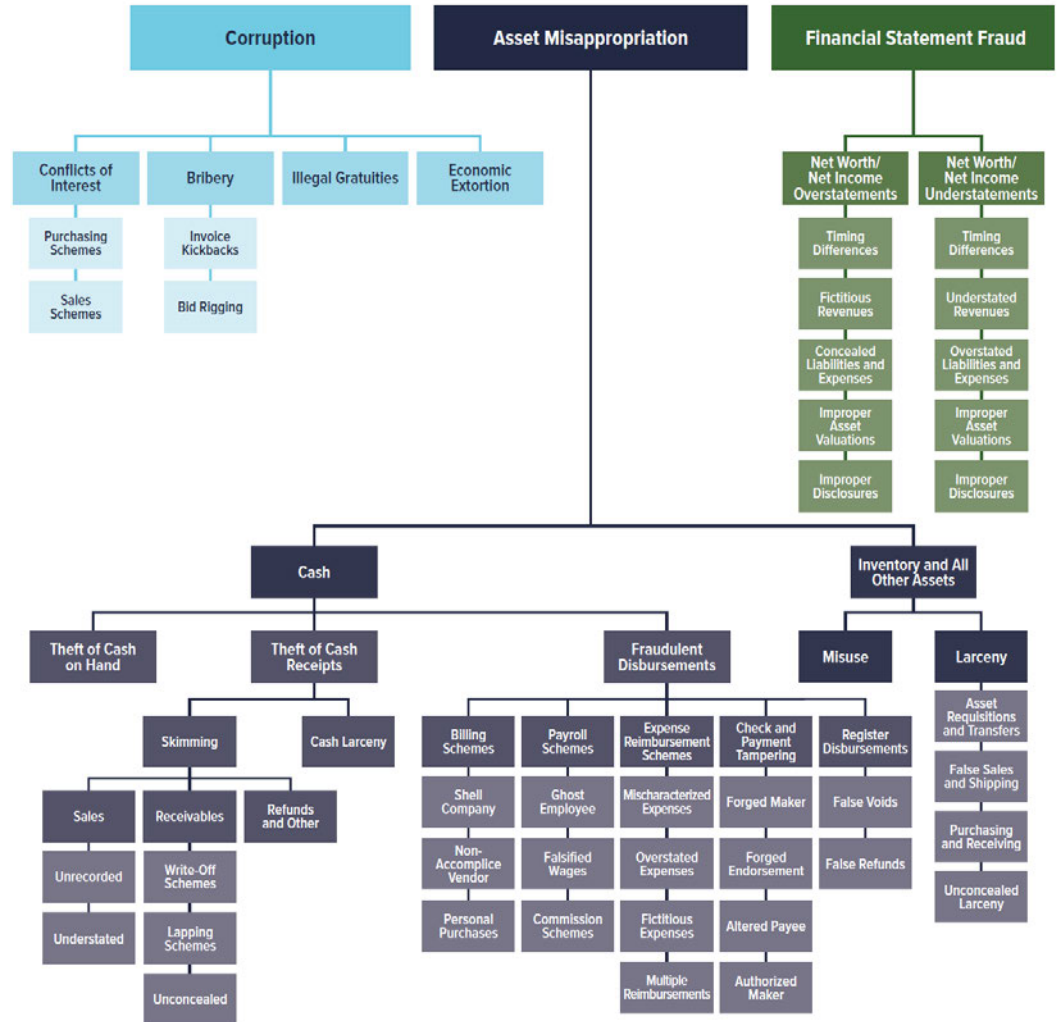
Misconduct

Broad concept - violations of law, regulation, internal policy and expectations for ethical business conduct

Fraud & Ethics

It can generally be agreed that **fraudulent behaviour is unethical behaviour**. As part of most Ethics Codes, you are required to know what unethical and fraudulent behaviour looks like.

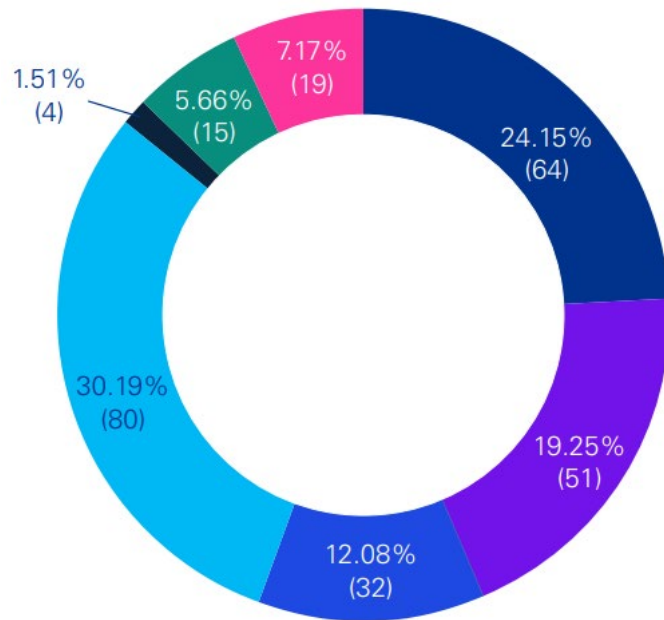
The Fraud Tree



Source: ACFE 2024 Report to the Nations

Refresher: Profile of a Fraudster

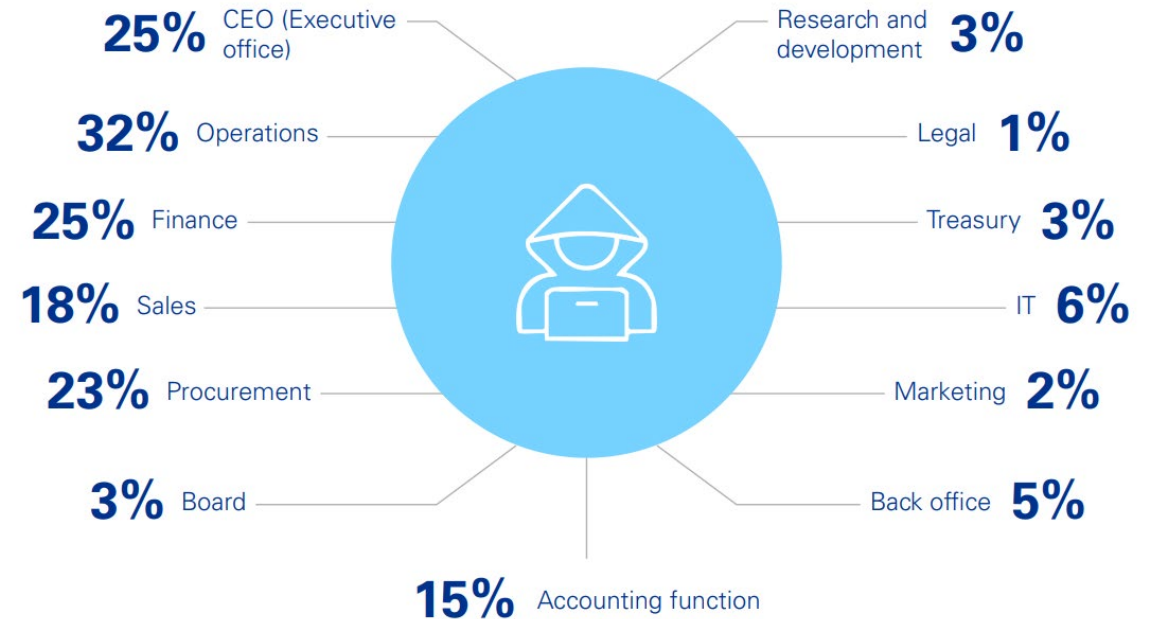
Who are the perpetrators



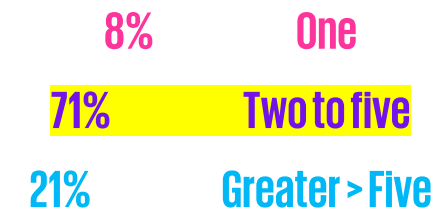
- Staff member
- Executive director
- Executive corporate officer
- Management (no executive capacity)
- Non-executive director
- Owner/shareholder
- Others

Source: KPMG's Global Profile of the Fraudster, 2025

Fraud cases by department



How many people were involved



Fraud In the News: Calgary



Woman charged with fraud and theft after embezzling from local business

After a **family member of the business owner fell ill**, the **office manager** at a Calgary orthotics and prosthetics company gained increased access to the company's finances. Over the course of four years, the alleged perpetrator **stole more than \$575,000** through **unauthorized e-transfers to herself, disguising them as advances, reimbursements, and bonuses**. Additionally, she misused **company cheques and credit cards for personal payments**.

Jan 23, 2025

[The City of Calgary Newsroom](#)



Charges laid in cryptocurrency fraud investigation

- In June 2022, the victim was contacted by someone **posing as her grandson**, claiming he was involved in a **car accident and facing drug charges**.
- The impersonator directed the victim to **a fictitious lawyer**, also part of the scam.
- Over six weeks, the victim was **instructed to make daily payments** via **bitcoin ATMs** to cover supposed bail and legal fees.
- More than 300 separate deposits resulting in a **loss of over \$300k**.

Jul 16, 2025

[The City of Calgary Newsroom](#)



Fraudster investment advisor who accepted \$104K secret commission sent to prison for 7 years

A Calgary-based investment advisor was convicted for using client accounts to buy \$6 million worth of high-risk shares using client accounts, exceeding the clients' approved risk levels, in a company where a close friend held the position of vice-president. The court ruled that the \$104,000 payment he later received from the company constituted fraud.

Jan 23, 2025

[CBC News](#)



- Aug 20, 2024 - Man charged after operating Ponzi scheme targeting several victims – Loss >\$1.3 million.
- Nov 7, 2024 - Former fastball association board member caught stealing and charged with fraud – Loss \$125k.
- Feb 10, 2025 - Woman charged after embezzling \$67,000 from veterans' association.
- Mar 12, 2025 - Two charged with fraud in relation to funds stolen from local cricket league – Loss ~\$200k.
- **Mar 21, 2025 - Police warn businesses of regional manager impersonation scam.**
- May 8, 2025 - Man charged with fraud in multimillion-dollar real estate investment scam – Loss > \$1.9million.
- Jun 25, 2025 - Two charged with fraud after \$66,000 embezzled from community organization.

[The City of Calgary Newsroom](#)

Fraud In the News



Edmonton developers charged in \$6.8 million mortgage fraud case

Investors were allegedly told that “45 percent of the funds were reserved for future dividends, with the rest allocated to the project. In fact, no money was set aside for dividends, and investor funds were allegedly diverted into other businesses” controlled by the alleged perpetrators.

Sep 12, 2025
canadianfraudnews.com



Daughter's mortgage fraud on her parents' house

Using forged documents, a daughter transferred ownership of her parents' house to herself, then took a \$760k mortgage against it.

Mar 12, 2025
canadianfraudnews.com



Red Pine ... alleged assay fraud at Ontario gold project

Between 2015 and early 2024, Red Pine Exploration's former CEO, allegedly altered gold assay results at the Wawa project to inflate its value. Revealing the alleged fraud caused a 60% drop in share price.

May 15, 2024
mining.com



U.S. Salesman Convicted in Multi-Million-Dollar Toronto Investment Fraud Scheme

The scam involved fake real-estate projects, phony marketing materials, and high-pressure sales tactics that cost victims over \$12 million USD.

Jun 26, 2025
canadianfraudnews.com



Fraudsters hijacked GTA man's company record, tried to mortgage its \$12M property for cash

The scammers managed to alter the company's official documents in the Ontario Business Registry and subsequently tried to secure mortgages on the business's properties.

Apr 7, 2025
[CBC News](https://cbcnews.com)



Do Kwon pleads guilty to US fraud charges in \$40 billion crypto collapse

“Prosecutors alleged that when TerraUSD slipped below its \$1 peg in May 2021, he told investors a computer algorithm known as “Terra Protocol” had restored the coin's value. Instead, they said, he arranged for a high-frequency trading firm to secretly buy millions of dollars of the token to artificially prop up its price”

Jun 26, 2025
www.reuters.com

Fraud Risk Management



Fraud Risk Management

A Fraud Risk Management (FRM) program is a coordinated set of actions undertaken by an organization to mitigate the risks associated with fraud.

- Fraud is a constant risk that latches onto existing weaknesses and has no natural stopping point.
- Recognition that every category of business risk carries an equivalent fraud risk.
- Fraud should be considered part of a normal business's risk profile, as a potential factor in every operation and function



"Fraud risk management is like having a front door — without it, you won't know when someone's walked in uninvited."

- A wise one who managed fraud risk

Fraud Risk Management (Cont'd)

The key objectives: prevention, detection, and response

An effective fraud and misconduct risk management approach encompasses controls that have three objectives:

- **Prevent** instances of fraud and misconduct from occurring in the first place.
- **Detect** instances of fraud and misconduct when they do occur.
- **Respond** appropriately and take corrective action when integrity breakdowns arise.

Fraud Risk Management (Cont'd)

What does a comprehensive FRM program look like?

Governance

Effective FRM hinges on the **commitment of an organization's leadership** to it. Establishing a strong stance against fraud, clearly communicating this position, and designating specific functions for fraud prevention, detection, and response are the building blocks of a robust fraud risk management framework.

All components of an FRM program work in harmony.

Detection

While not all fraud can be prevented, implementing detective measures such as internal audits, anonymous whistleblowing programs, and data analytics can help **identify fraudulent activities that evaded prevention measures**.

Leadership decides to install a front door.

Prevention

Prevention involves **establishing processes which stop or deter bad actors** from committing fraudulent activities. An effective prevention system involves implementing policies to guide business practices, due diligence in third party dealings, and regular fraud risk assessments.

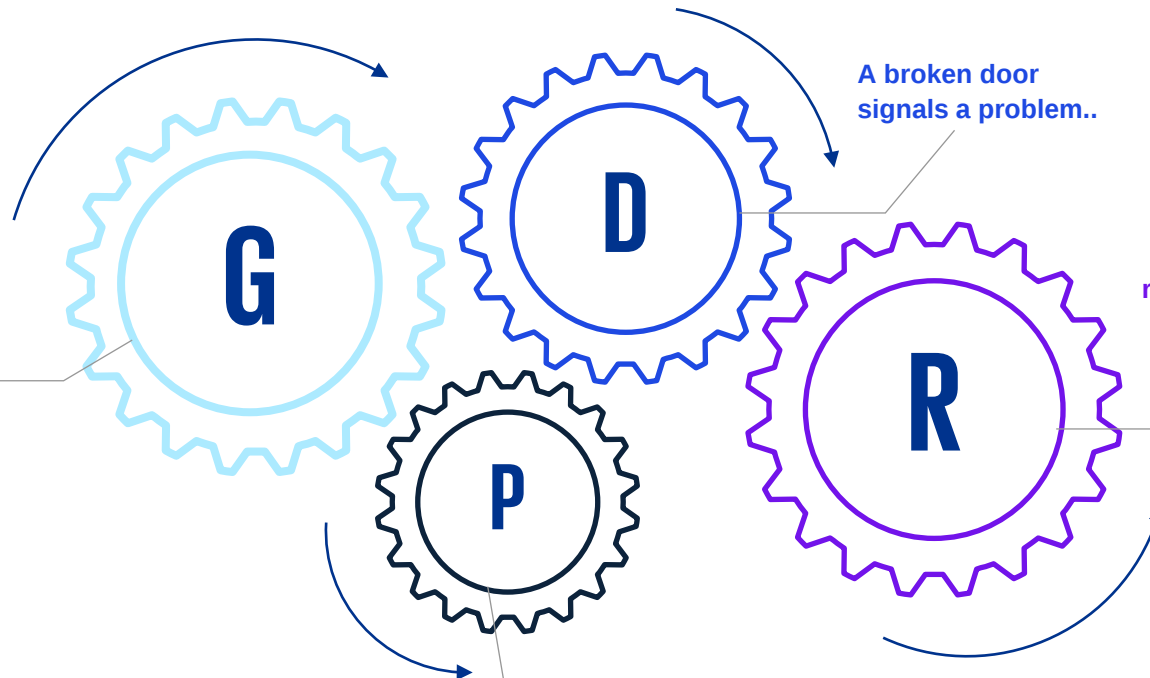
A broken door signals a problem..

Identifying what is missing, reporting to the authorities, and installing a stronger door.

A door (locked or unlocked) serves as a deterrent.

Response

Responding to detected fraud requires a well-documented approach that involves **identifying the specifics of the fraudulent activity, thorough investigation, remediating the underlying cause, and taking standardized disciplinary action**.



Fraud Risk Management (Cont'd)

Fraud Detection: Internal audit plays a key role in fraud detection.

Fraud Detection Stats

Category	Cases
Tip	716
Internal audit	238
Management review	224
Document examination	103
Account reconciliation	90
By accident	83
External audit	52
Automated transaction/data monitoring	46
Surveillance/monitoring	35
Notification by law enforcement	30
Confession	25

80%

80% of victim organisations have internal audit functions

3rd most prevalent anti-fraud control

45%

45% of cases are reported to internal audit

2nd most frequently notified party

14%

14% of cases are detected by internal audit

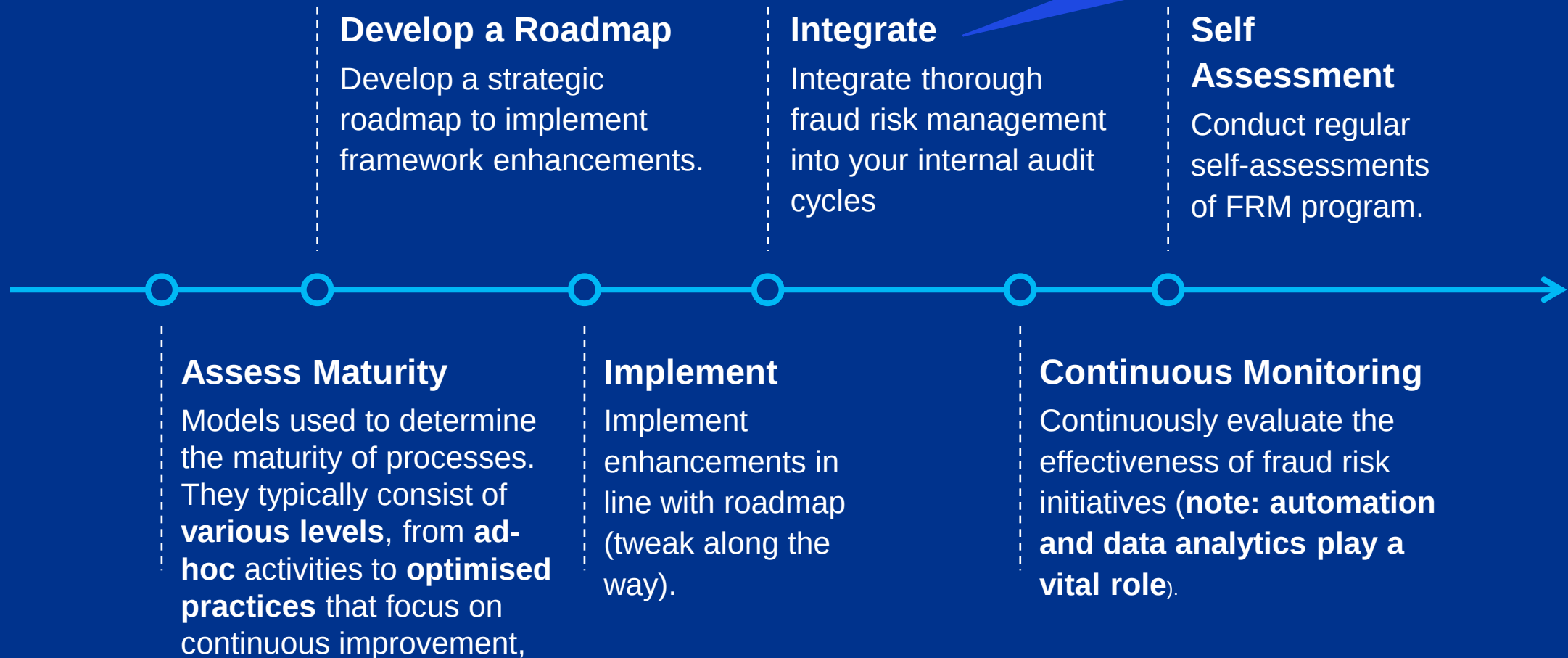
2nd most common method of fraud detection

Source: ACFE 2024 Report to the Nations

Fraud Risk Management (Cont'd)

What strategies can we adopt to enhance a fraud risk management program?

When creating a risk matrix, do we genuinely consider specific fraud risks, or do we rely on a generic template assuming certain areas inherently carry fraud risks while others do not?





Top of Mind:

- Fraud in Canada**
- Technology as a Tool & an Enabler**
- Growing Risk of ESG Fraud**

Fraud In Canada

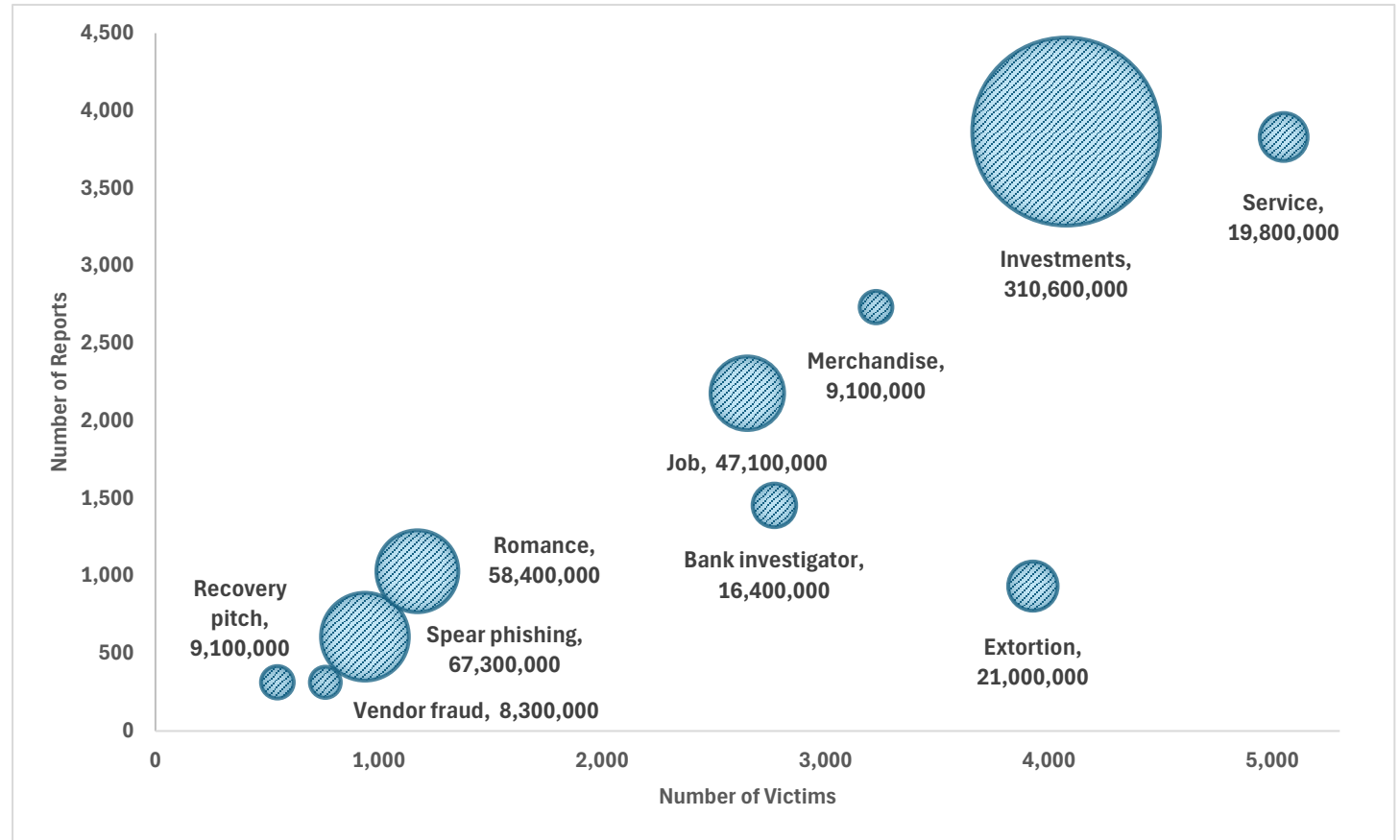
Key fraud trends reported:

In 2024, the Canadian Anti-Fraud Centre received 108,878 fraud reports involving over \$638 million in reported losses.

Top 10 Frauds in Canada

Fraud Type	Amount (\$)
Investments	310,600,000
Spear phishing	67,300,000
Romance	58,400,000
Job	47,100,000
Extortion	21,000,000
Service	19,800,000
Bank investigator	16,400,000
Recovery pitch	9,100,000
Merchandise	9,100,000
Vendor fraud	8,300,000

Source: Canadian Anti-Fraud Center



Fraud In Canada (Cont'd)

Scams are becoming more frequent and costly:

- What is your organization's risk tolerance and risk management policy?
- How frequently does your organization conduct risk assessments to identify or reengineer risks with process-level controls?



Internal Fraud

- 43% are currently experiencing internal fraud
- 34% experienced an internal fraud in the past 12 months
- 6% experienced an internal fraud in the past 3 years
- 5% experienced in the past 5 years
- 13% have never experienced an internal fraud



External Fraud

- 33% are currently experiencing external fraud
- 27% experienced an external fraud in the past 12 months
- 8% experienced an external fraud in the past 3 years
- 7% experienced an external fraud in the past 5 years
- 25% have never experienced an external fraud



Fraud Hits Bottom Line*

- 53% estimate they lost up to 5 per cent of their profits to fraud in the past year
- 35% lost up to 1 per cent of their profits
- 7% suffered losses over 5 per cent
- 4% that were impacted by fraud did not suffer any losses

Source: KPMG in Canada 2024 Fraud Survey

Technology – the risks

The fraud landscape is getting more complex than ever.

Fraudsters are using generative AI to make their scams credible and using automation to scale them up.

It's crucial to stay informed about these technologies and invest in tools and strategies to identify risks and fraudulent behaviour.



Deepfake

AI is utilised in creating realistic fake images, audio (**voice cloning**) and video, typically used maliciously or to trick victims and spread **misinformation/disinformation**.

**“Finance worker pays out \$25 million after video call with deepfake ‘chief financial officer’”, CNN, Feb. 4, 2024.*



Fraud as a Service

A model employed by cybercriminals, where tools and services are provided to facilitate fraudulent activities. This enables individuals with limited technical expertise to execute various types of fraud effectively.



Synthetic Identity

An identity created with completely or partially fabricated information to bypass know your customer (KYC) checks, gain access to various services (e.g. open bank accounts) and commit financial crimes.



Social Engineering



Business Email Compromise



Cyber Security e.g., Ransomware

Technology – front line of fraud detection

Solutions are continually evolving.

Fraud detection programs now incorporate technologies like generative AI that can **minimize false positives, expose anomalies, find patterns, and ensure consistent handling of suspicious transactions.**

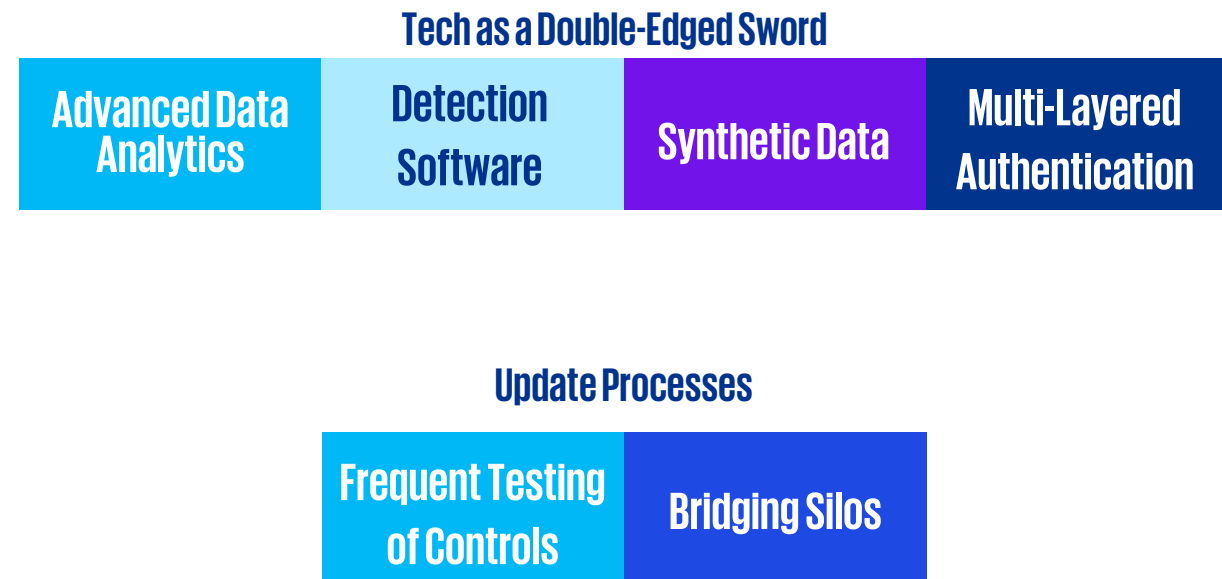
Generative AI helps anticipate how a fraud scheme might evolve and build rules to detect it when it occurs.



Small & Medium Businesses

- 95% of SMBs recognize that generative AI and deepfakes have raised fraud risks in their businesses.
- 91% worry that generative AI will enable more misinformation and disinformation attacks.
- 95% agree that fraudsters are using more sophisticated methods

Source: KPMG in Canada 2024 Fraud Survey



ESG Fraud is a New and Emerging Risk

ESG fraud is a new and emerging risk, arising from (internal and external) pressures for organizations to meet their public or regulatory commitments.

The **legal, financial, and reputational repercussions can be significant.**

- ESG fraud can take many forms, such as falsifying carbon offsets in ESG reporting, greenwashing and other forms of “washing”, misusing ESG grant funds, breaching ESG regulations, and bribery and corruption
- Internal ESG fraud occurs when employees or teams within organizations embellish, distort, or exaggerate ESG data or efforts
- External ESG fraud is when suppliers or vendors embellish, distort, or exaggerate their ESG data or efforts
- With companies tying compensation to ESG targets, extra attention and monitoring is required
- Ensure strong controls are in place to identify and prevent ESG fraud
- Set expectations and build a culture of integrity and ethical behaviour to prevent ESG fraud
- Any fraudulent or negligent misrepresentation in financial or other public ESG disclosures could result in shareholder or customer litigation and/or regulatory investigations.



CFTC brings first carbon market fraud case

3 Oct 2024

www.investmentexecutive.com



Alberta filed 1st ever charges against a carbon offset firm

14 Jul 2023

[CBC News](#)



Source: KPMG in Canada 2024 Fraud Survey

10-minute break



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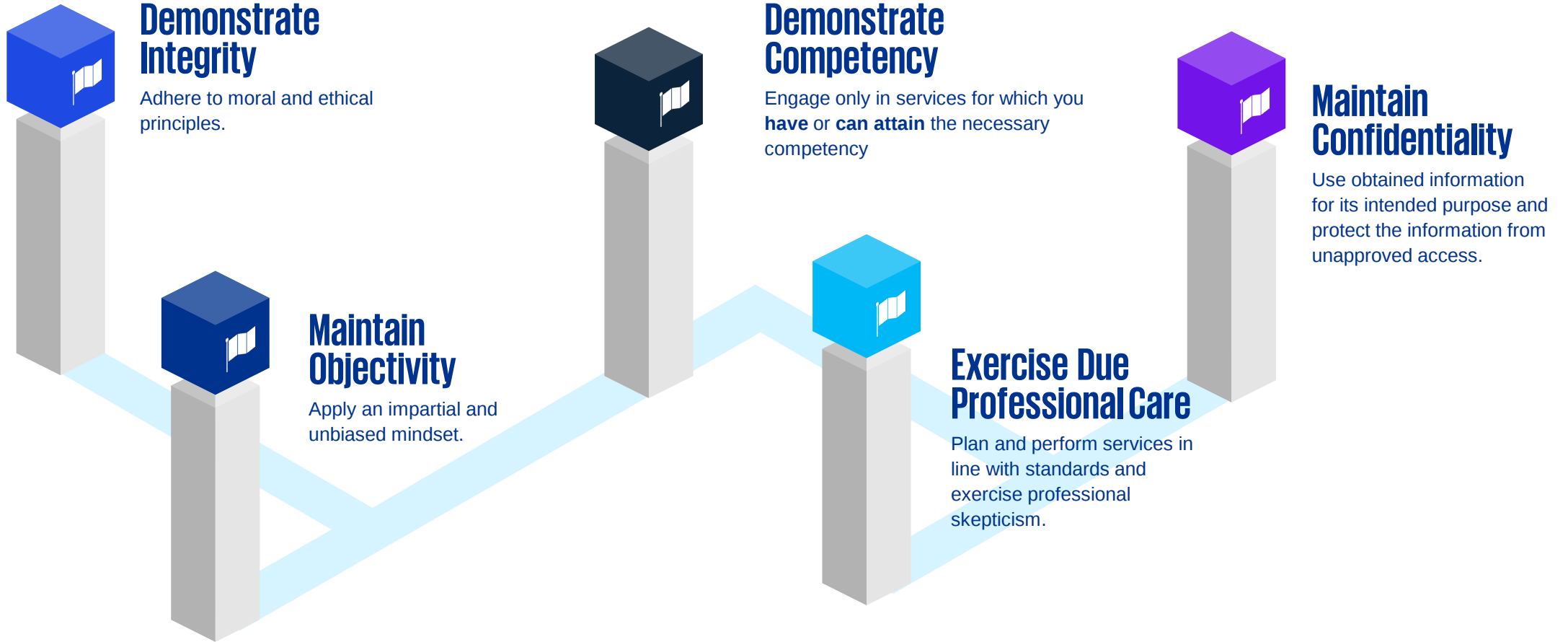
Ethics

**"Moral principles that control or influence
a person's behaviour"**

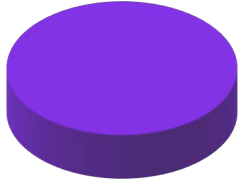
- Oxford Advanced Learner's Dictionary

What is “Ethics”

The IIA’s Code of Ethics: *“the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing”*



Ethical Dilemma

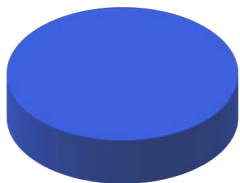
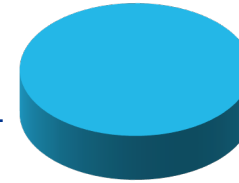


Dilemma

A situation in which a difficult choice has to be made between two or more alternatives, **especially equally undesirable ones**.
- Oxford Dictionary

An ethical dilemma arises when following ethical principles could lead to personal harm, appear unjust, or strain relationships and loyalties. There is a reluctance to stand out in a negative way, especially when everyone else is behaving similarly. You are often seen as either part of the group or excluded from it.

Ethical Dilemma



Purpose

The intention is not to suggest that making a decision when faced with an ethical dilemma is simple, but rather to **encourage reflection** and **highlight the potential challenges** that could emerge.

Ethical Dilemma (Cont'd)

Ethical dilemma: demonstrate integrity



Considerations

- What are your obligations under the Global Internal Audit Standards?



Kick it down the road

Executive

- Faces no repercussions

You

- May encounter negative outcomes, such as doubts about your abilities and potential job termination if revealed later
- Risk of damaging your personal integrity

What do you do?

During a routine audit of financial reporting, you notice that a senior executive has been inflating revenue figures to meet quarterly targets. Though subtle, the manipulation is deliberate.



Report

Executive

- Potentially severe repercussions - possible job loss

You

- Adverse effects on your relationship with leadership
- Possible threats to your job security



Discuss with the executive

Executive

- May stop unethical practice or modify the scheme. In either case, the issue seems resolved from your perspective.
- Faces no consequences

You

- May encounter negative outcomes, such as doubts about your abilities and potential job termination if revealed later
- Some compromise of integrity since you did not report as required but appear to have curtailed the unethical practice.

Is there such a thing as partial compromise of integrity?

Ethical Dilemma (Cont'd)

Ethical dilemma: demonstrate competency



Considerations

- What does the standard say about engaging in work beyond your competency?
- Can you responsibly manage this assignment?
- **What options do you have to gain the necessary expertise or support?**



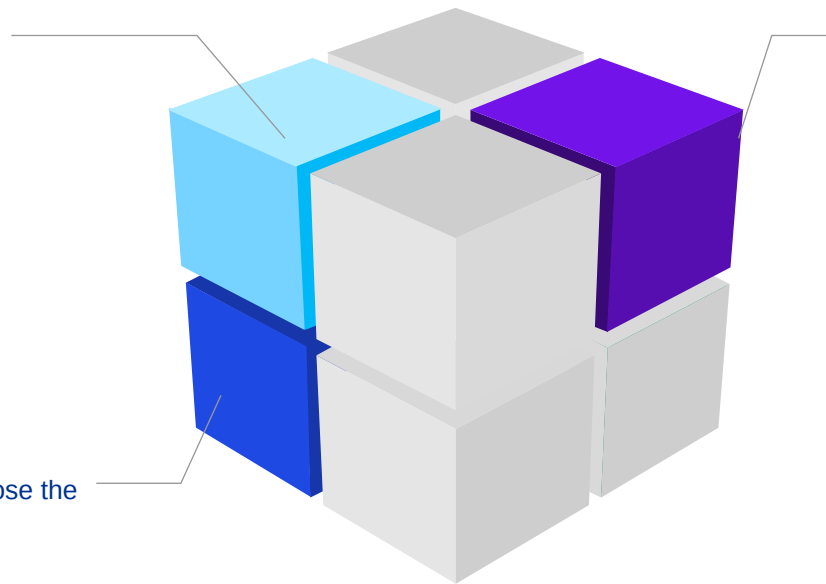
Decline the assignment

You

- May appear unskilled/unqualified
- May receive a poor performance review or lose the client

What do you do?

You are asked to audit an area which you have limited experience in. The deadline is tight, hence there is not much time for learning and consulting on the engagement.



Take the assignment and depend on standard checklists

No one notices irregularities and everyone is fine

You

- Risk delivering a substandard audit
- Reputational damage

Your Team

- Reputational damage

Client

- May suffer economic loss

Ethical Dilemma (Cont'd)

Ethical dilemma: maintain objectivity



Considerations

- What are your obligations under the Global Internal Audit Standards?
- How do you maintain objectivity when pressured by senior leadership?
- What are the risks of altering audit findings to suit management preferences?
- What steps can you take to protect the integrity of your report while managing stakeholder relationships?



Ignore the request/escalate

You

- Strained relationship with senior management

Team

- Strengthened trust in the team
- Possible attempt to discredit the audit
- Possible blow back from reduced investor confidence

What do you do?

You complete an audit of a newly launched business unit and identify several control weaknesses and compliance gaps. Before finalizing the report, a senior manager—who has a vested interest in the unit's success—asks you to “tone down” the language and remove certain findings, arguing that the issues are already being addressed and that a negative report could hurt investor confidence.



Soften Report Language

You

- Risk diluting seriousness of the report
- May be seen a **reasonable compromise**
- May preserve relationship
- May be viewed as **not objective**



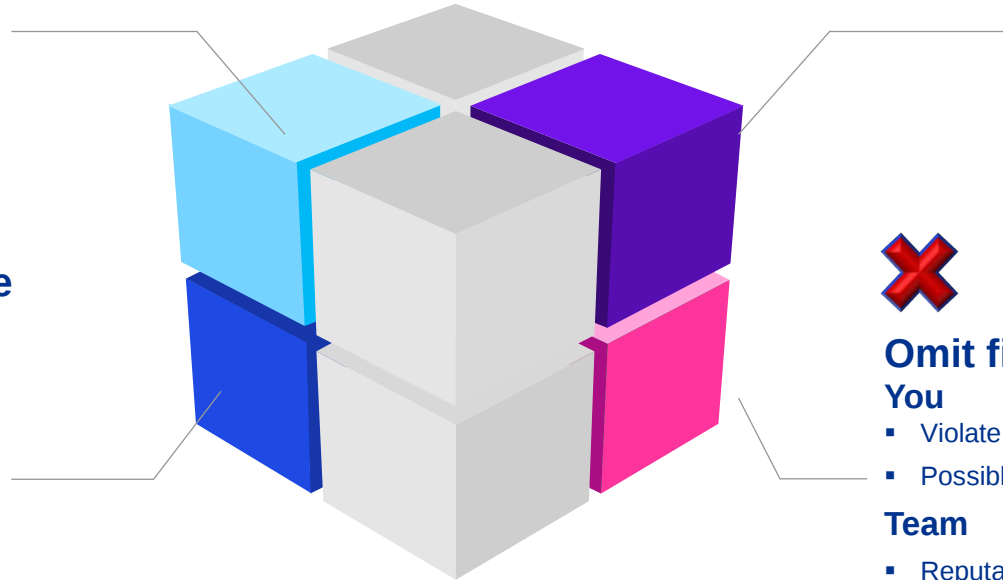
Omit findings

You

- Violate professional standards
- Possible disciplinary action if later discovered

Team

- Reputational damage/Lose credibility



Ethical Dilemma (Cont'd)

Ethical dilemma: exercise due professional care



Considerations

- What does exercising due professional care require in this context?
- How do you balance time constraints with audit quality?
- What are the consequences of insufficient audit procedures?



Perform all procedures

You

- Uphold standards and maintain quality
- Missed timeline; negative impact on reputation
- Tension with management

What do you do?

You're under pressure to complete an audit before a board meeting. To save time, you consider skipping some testing procedures and relying on last year's results. You believe the risk is low.

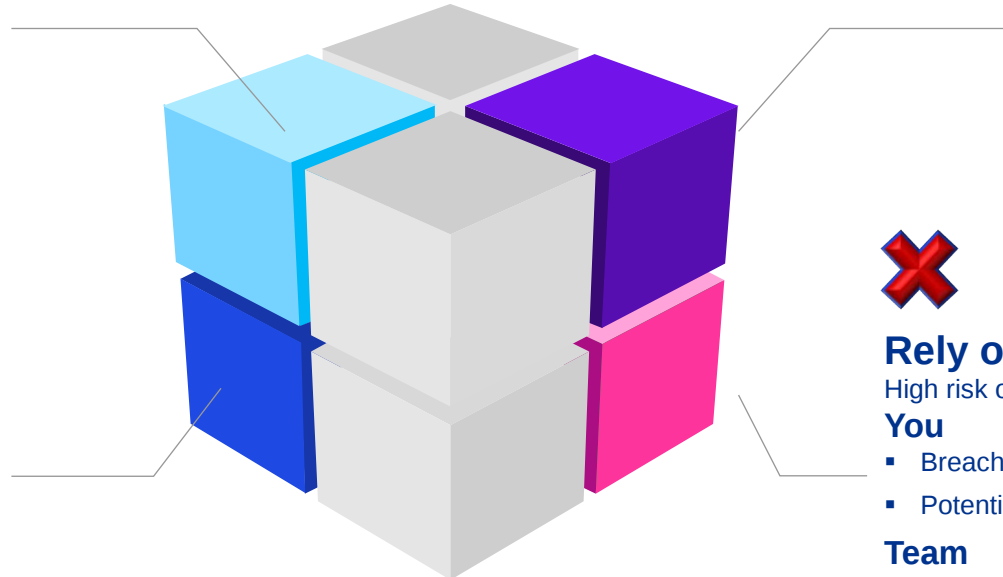


Prioritize high-risk areas

- May be seen as practical if limitations are documented
- Maintains transparency
- Lower risk issues may go undetected

You

- Could receive criticism if problems arise.



Rely on prior year/falsify procedures

High risk of missing new issues

You

- Breach of ethical standards
- Potential disciplinary action/termination

Team

- Reputational damage/Lose credibility

Ethical Dilemma (Cont'd)

Ethical dilemma: maintain confidentiality



Considerations

- Is it appropriate to share confidential data with another auditor within the same department?
- What does the confidentiality standard say about internal sharing?
- How should you respond to the request while maintaining professional relationships?



Share the data

You

- Breach of standards
- Violation of data protection laws and agreement
- Possible disciplinary action

Team

- Damage of trust if word gets out

What do you do?

You're working on an audit involving sensitive employee data, including compensation and disciplinary records. A colleague from another audit team, who is not assigned to the engagement, asks you to share the raw data to "save time" on a similar audit they're preparing. They assure you it will stay within the audit department.



Workaround: Share anonymised data / Seek permission to share

- Possible accidental disclosure

You

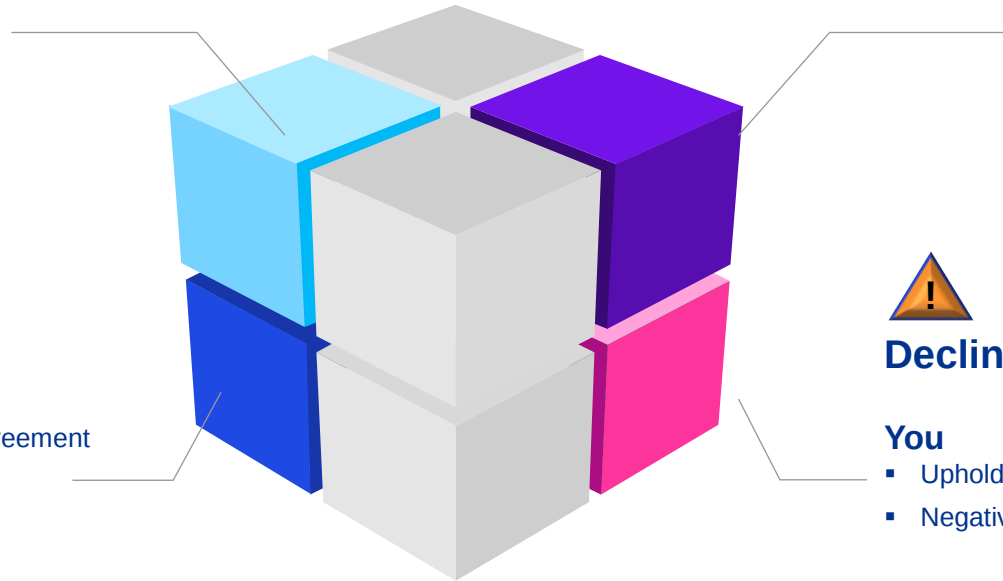
- Support collaboration while maintaining confidentiality



Decline the request

You

- Uphold ethical standards
- Negative impact on relationship with colleague



Ethical Dilemma - Case Study

When control failures cost lives - Challenger Shuttle Accident

Background

The Challenger Space Orbiter was among six space shuttles utilized for specific space missions.

Challenger was set to launch on January 28, 1986, with several goals, including deploying a commercial communications satellite, observing Halley's comet, and notably, conducting an educational outreach by taking a schoolteacher aboard, who would have been the first private citizen in space.



The Accident

The Challenger Shuttle disaster happened 74 seconds after liftoff on January 28, 1986, when the shuttle broke apart in midair, resulting in the tragic loss of all seven crew members.

The cause of the explosion was traced to a failure in an O-ring seal on one of the solid rocket boosters. This seal had become brittle because of the cold temperatures on the morning of the launch and failed to seal properly.

Ethical Dilemma - Case Study (Cont'd)

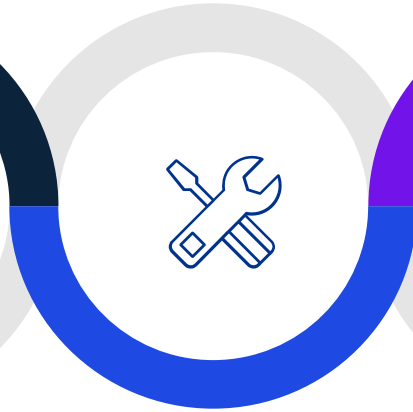
Root Cause

The Rogers Commission was established to investigate the root cause of the accident. Beyond pinpointing technical issues, the commission also emphasized several organizational deficiencies that played a role in the event.



Lack of effective risk communication

NASA and its contractor were aware of the O-ring problems from earlier shuttle flights, but poor communication between engineers, managers, and decision-makers, prevented this critical safety information from being properly escalated.



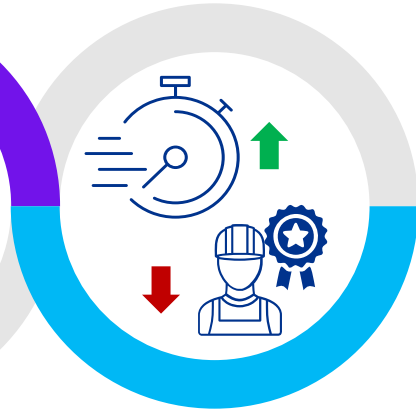
Disregard for prior Issues

The commission criticized NASA for proceeding with launches despite unresolved technical issues, mistaking past non-catastrophic O-ring erosion as **acceptable risk**, rather than a warning sign ignoring engineers' warnings of potential disaster.



Management override

Despite concerns about launching in cold weather expressed by the contractor and some NASA personnel, management overruled them, with the contractor **reversing its position to accommodate a major customer**.



Prioritizing schedule and public relations over safety

Political and institutional expectations fostered a culture of overconfidence and decision-making driven by an accelerated launch schedule, with a NASA manager stating that "***the political aspects of the decision are so overwhelming that our concerns do not carry much weight***".

Ethical Dilemma - Case Study (Cont'd)

Recommendations

- Major reforms in NASA's decision-making processes, safety protocols, and technical oversight.
- Creation of an Office of Safety, Reliability, and Quality Assurance within NASA.
- Improvements in communication channels between engineers and leadership.

The **required controls were not new to NASA**. The commission stated that:



The unrelenting pressure to meet the demands of an accelerating flight schedule might have been adequately handled by NASA if it had insisted upon the exactly thorough procedures that were its hallmark during the Apollo program”

Source:

- <https://www.nytimes.com/1986/06/10/science/shuttle-findings-long-series-failures-key-portions-commission-report-challenger.html>
- https://sma.nasa.gov/SignificantIncidents/assets/rogers_commission_report.pdf

Other Take Aways

What roles do I play in the control environment?

Is this great teamwork or group think?



How do I react when faced with dilemmas?

Am I the cause of someone else's dilemma?

Ethical Dilemma - Case Study

Reporting ethical breaches

Five Common ethical issues



Source: iaafiji.org/resources

Reporting requirements

Internal auditors have a duty to report unethical practices.

Type of breach	Report Recipient
Organisation ethical standards (employees)	Senior management
Organisation ethical standards (senior management)	Board of directors
Organisation ethical standards (the board chair)	The entire board of directors
Legal or regulatory violations	Relevant authorities as specified by laws, regulations, and policies
Suspected violations of The IIA Code of Ethics and Professionalism	The IIA

Submit an ethics complaint form to: ethics@theiia.org

Where to find the form: Just google “[iia ethics complaint form](#)”

Questions ?

Thank You

