



Guardians of Integrity: Enhancing Fraud Response through Forensic Collaboration

IIA Calgary: In-Person Lunch & Learn

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01

Roles and Responsibilities of Forensic Accountants



02

Collaboration between Internal Auditors and Forensic Accountants



03

Key considerations for planning and executing investigations



04

Effective engagement models to meet organizational needs



05

Real-life examples of successful collaborative investigations

FACT OR FICTION?

Roles and responsibilities of forensic accountants.

MENTIMETER

Join the poll at:

<https://www.menti.com>

Use code: 1390 9277



WHAT IS FORENSIC ACCOUNTING?

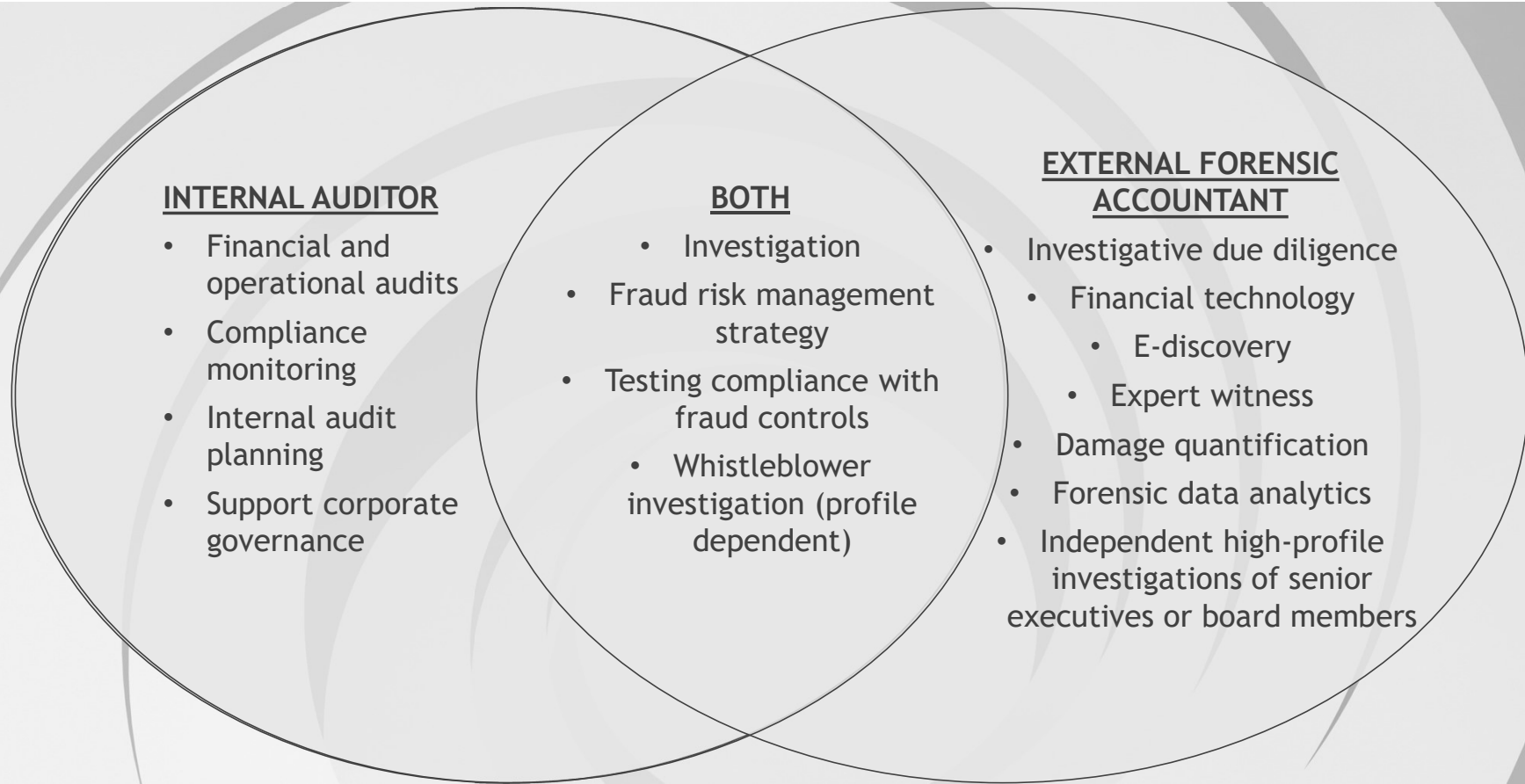
Investigative and forensic accounting engagements are those that:

- (a) require the application of professional auditing skills, accounting skills, investigative skills, and an investigative mindset; and
- (b) involve disputes or anticipated disputes, or where there are risks, concerns or allegations of fraud or other illegal or unethical conduct.



COLLABORATION: INTERNAL AUDITORS AND FORENSIC ACCOUNTANTS

ROLES AND RESPONSIBILITIES



IIA GLOBAL POSITION PAPER

PUBLISHED JANUARY 2019

“Investigation is *not typically* an internal audit task; therefore, internal auditors should exercise due professional care (Standard 1220) by considering the extent of work needed to achieve the engagement’s objectives and the related complexity, materiality, or significance. They *should decide if they are best placed* to undertake the investigation or whether to engage internal legal counsel, human resources, *qualified or certified fraud examiners, digital forensics*, or outside legal and *investigative expertise*.”



KEY CONSIDERATIONS FOR PLANNING AND EXECUTING INVESTIGATIONS



- Protection of assets
- Preservation of evidence
- Understanding of objectives
- Type of work product and users
- Burden of proof that may need to be met

There are also other considerations to keep in mind during the execution stage...

KEY CONSIDERATIONS - EXECUTION STAGE

- Chain of custody for evidence
- Best evidence rule
- Identification of sources of evidence
- Interview planning
- File documentation
- Report style



EFFECTIVE ENGAGEMENT MODELS

ENGAGEMENT MODELS



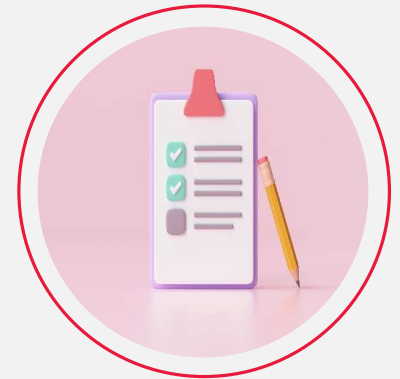
OUTSOURCE



CO-SOURCE



LOAN STAFF



**POST
INVESTIGATION
REVIEW**

POLLING QUESTION 5

Do you have a preferred model for engaging forensic accountants?

- A) Outsource**
- B) Co-source**
- C) Loan staff**
- D) Post investigation review**
- E) Depends on the case facts**

ENGAGEMENT MODELS - COMPARISON

Feature	Outsourcing	Co-Sourcing	Loaned Staff
Control	Third-party provider controls	Shared responsibility	Borrowing company supervises
Employment	Employees belong to the service provider	Mix of internal and external staff	Staff remains employed by lending firm
Duration	Can be long-term or ongoing	Flexible, often project-based	Temporary
Expertise Use	Delegates full function externally	External experts assist internal team	Fills a temporary skills gap

REAL-LIFE EXAMPLES

EXAMPLE 1 - COLLABORATIVE FRAUD RISK ASSESSMENT

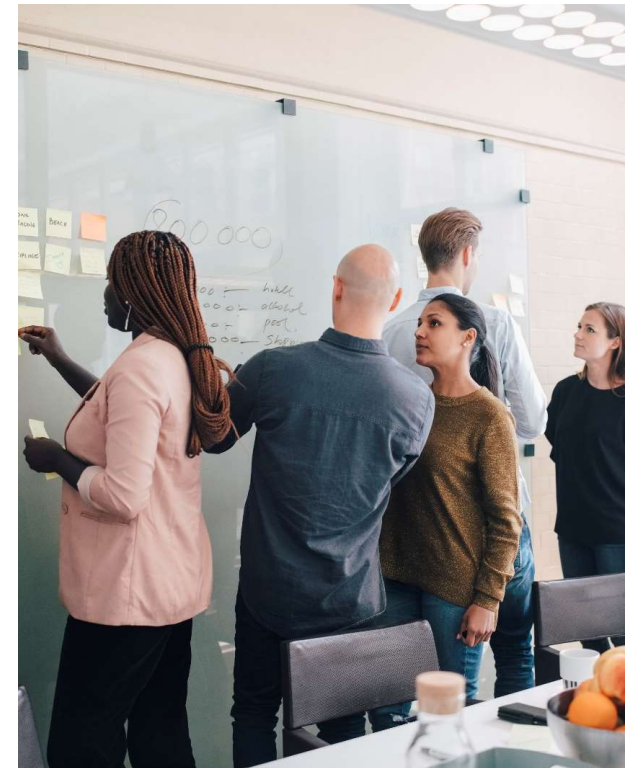
CO-SOURCING

Background

- Internal audit team tasked with enterprise-wide risk assessment
- Forensic accountants joined and assisted the internal audit team

Result:

- Collaborative effort
- Jointly prepared deliverable
- Enhanced team insights



EXAMPLE 2 - COLLABORATIVE KICKBACK INVESTIGATION

LOAN STAFF ARRANGEMENT



Background:

- Small and busy internal audit team
- Anonymous tip about possible conflict of interest and kickbacks

Two obstacles:

- Lack of investigative experience
- Limited staff and resources

EXAMPLE 2 - COLLABORATIVE KICKBACK INVESTIGATION

LOAN STAFF ARRANGEMENT



Contributions of the forensic accountants:

- Specialized knowledge
- Made recommendations
- Internal audit team decision making
- Forensic accountants reported to internal auditors
- Internal audit team authored report

Results:

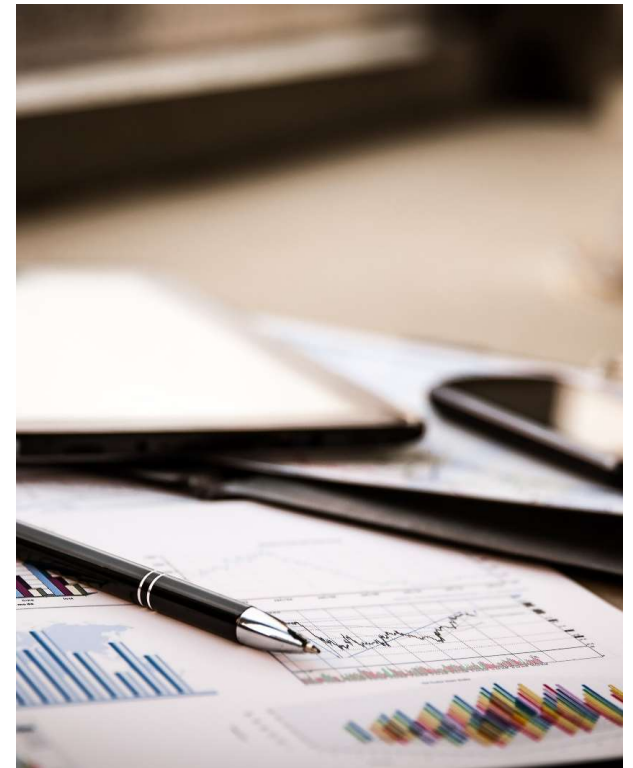
- Balanced competing priorities
- Effective investigation
- Efficient work
- Knowledge transfer

EXAMPLE 3 - EVOLVING VENDOR COMPLIANCE AUDIT

POST INVESTIGATIVE REVIEW

Background:

- Routine vendor compliance audit
- Red flags and anomalies identified
- Reliance on external data analytics expert
- Concluded evidence of significant overbilling

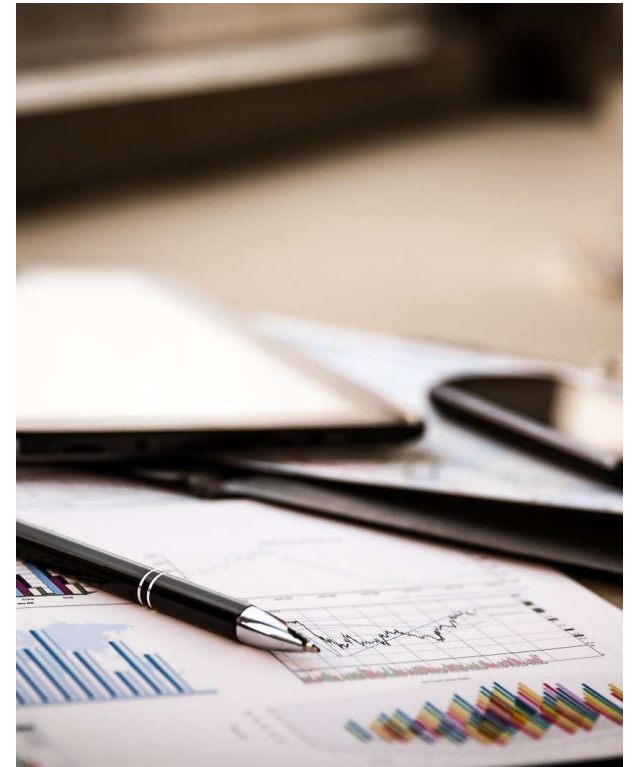


EXAMPLE 3 - EVOLVING VENDOR COMPLIANCE AUDIT

POST INVESTIGATIVE REVIEW

Obstacles:

- Decision regarding continuing vendor contracts
- Potential breach of contract
- Hesitation to label fraud
- External perspective sought
- Engaged to review procedures and assess conclusions



EXAMPLE 3 - ACCURACY AND RISK MITIGATION IN VENDOR COMPLIANCE POST INVESTIGATIVE REVIEW

Contributions of forensic accountants:

- Expert review of scripts and coding
- Thorough analysis of evidence
- Assessment of file approach and documentation

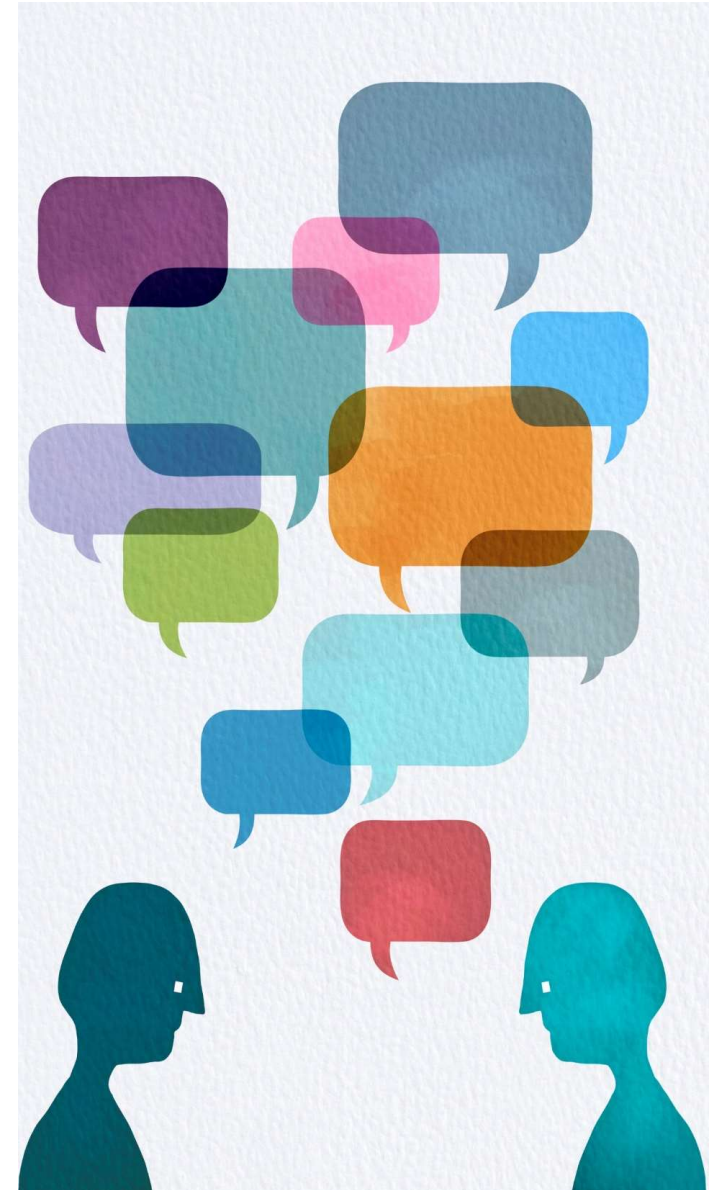
Results:

- Errors in scripts
- Unsupported findings
- Allowed internal audit team to update scripts and analysis to address shortcomings identified



GROUP DISCUSSION

1. What model have you used?
2. What were the pros and cons?
3. What model do you prefer?
4. Any other topics or questions?





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